

# Humboldt Economic Index

June 2010

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## Index at 16-Month High, Retail Climbs

The overall composite rose 1.5 percent to 101.9, a 16-month high. Retail and Employment expanded, while Home Sales, Manufacturing and Hospitality declined.

All three leading indicators point to a tougher future, while national leading indicators point in the same direction as reflected in declining asset prices and Consumer Confidence.

Retail rose across the board, though the rise may be short lived as nervous consumers tighten spending.

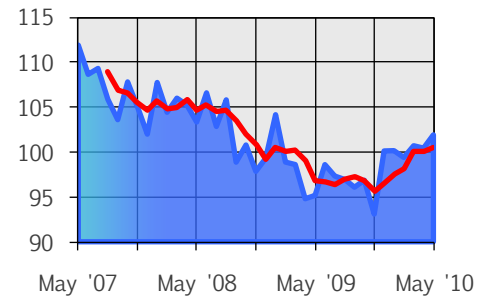
The absolute number of employed persons rose substantially, though the index was tempered by the seasonally adjusted county unemployment rate, as May is typically a better month for employment.

Median home prices fell, while the number of homes sold increased. California home sales and prices are yet to reflect the combine tax incentives offered by the state and federal government.

Hospitality contracted slightly, but remains above its recession average.

Challenges to the economy continue. Nationally, the oil spill continues to impact, not only Gulf industries, but the

Composite Index



national consumer and investor outlook. Moreover, it is uncertain the ability of government to stimulate the economy further as political pressure shifts policy to deficit reduction, as well as the fact that the Federal Reserve can't lower interest rates below the present near zero interest rate.

Locally, the past four months have shown negative local leading indicators. Although the outlook is not void of optimism, as the Arcata Economic Development Corporation invests three million in local businesses. Followed by local wood product entrepreneurs collaborating on ways to revamp Humboldt's struggling manufacturing sector. Both of which, offering potential for sustainable economic growth.

The Humboldt Economic Index is produced by the Economics Department at Humboldt State University. It measures changes in the local economy using data from local businesses and organizations. The data are compiled into a seasonally adjusted Index that shows changes relative to the base month (January 1994). The composite Index is a weighted combination of six individual sectors of the local economy. The current Index is based on the most recently available data, which is generally data from the previous month.

## Composite & Sectors

Index	Value*	Percent change from			
		Last Month	One Year ago**	Five Years ago**	Ten Years ago**
<b>Composite</b>	<b>101.9</b>	<b>1.5</b>	<b>7.1</b>	<b>-5.2</b>	<b>-9.0</b>
Home Sales	78.4	-8.8	32.8	-42.1	-40.9
Retail Sales	152.9	9.1	2.6	11.6	18.0
Hospitality	90.1	0.8	11.6	11.6	-3.1
Electricity	138.6	0.0	18.9	17.1	4.6
Employment	100.0	0.5	1.7	-5.5	-4.8
Manufacturing	35.5	-4.2	5.5	-56.0	-65.4

\* These values are adjusted to remove seasonal fluctuation. The base month is Jan. of 1994, with an Index value of 100.

\*\* The percent change from the same month one, five and ten years ago.

# The Index – Leading Indicators

## Leading Indicators

The Index tracks three leading indicators to get a sense of the direction that the county economy may take in the near future. The three leading indicators are (1) number of claims for unemployment insurance, (2) building permits, and (3) help wanted advertising.

Leading Indicators			
	Unemployment Claims	Building Permits	Help Wanted Advertising
Change from prior month*	-1.6%	-21.8%	40.5%
* All values are seasonally adjusted.			

## Key Statistics

Median Home Price*	Monthly Rent**	Mortgage Rate†	Unemployment Rate‡
\$255,000	\$ 1,193	5.25%	11.3%

\* The Humboldt Association of Realtors provides home price data. MLS is not responsible for accuracy of information. The information published and disseminated by the Service is communicated verbatim, without change by the Service, as filed with the Service by the Participant. The Service does not verify such information provided and disclaims any responsibility for its accuracy. Each Participant agrees to hold the Service harmless against any liability arising from any inaccuracy or inadequacy of the information.

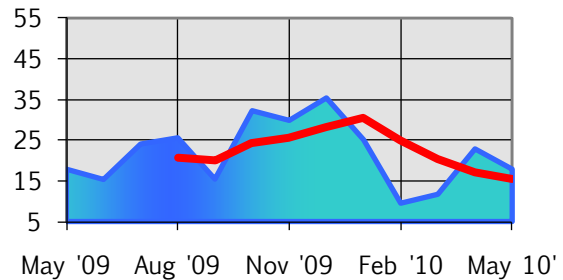
\*\* Average rent on 2, 3 and 4 bedroom houses listed in the Times Standard.

† 30-year owner occupied conforming conventional fixed rate provided by Umpqua Bank.

‡ Seasonally adjusted Humboldt County unemployment rate is based on non-seasonally adjusted preliminary EDD data.

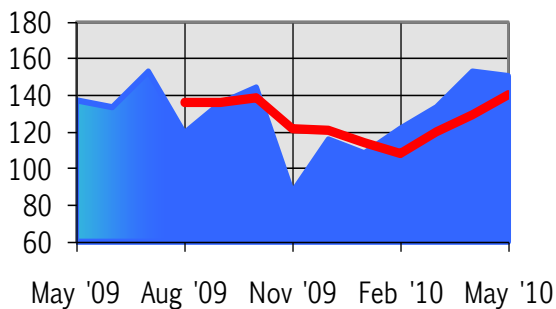
**Building permits** issued remains relatively low at 17.8, down 28 percent from the previous month.

## Index of Building Permits Issued



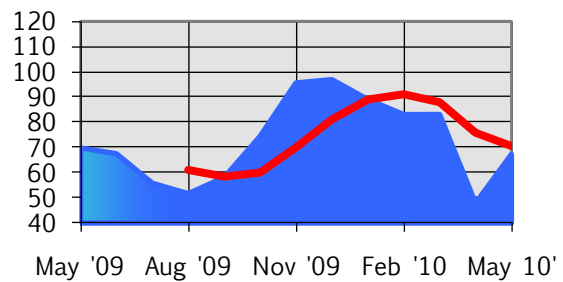
**Unemployment Claims** fell only slightly from last month's record-tying value of 153.5. The current value of 151 is nearly twice the 10-year average of 82.4.

## Index of Claims for Unemployment Insurance



**Help Wanted Advertising** rose sharply to 67.3, but remains well below the 6-month average of 78.

## Index of Help Wanted Advertising



**Graphs Explanation:** The blue area represents the seasonally adjusted Index of Unemployment Claims above. The red line shows the four-month moving average which attempts to demonstrate the overall trend in the data with less monthly volatility.

# The Index – Individual Sectors

## Home Sales

The Index value of the home sales sector is based on the number of new and existing homes sold in Humboldt County each month as recorded by the Humboldt Association of Realtors.

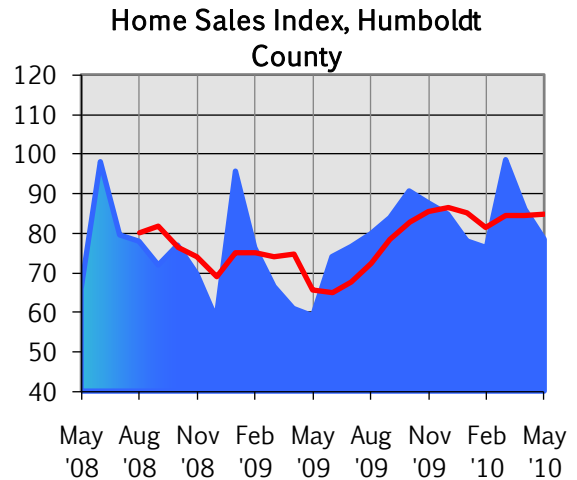
Home Sales fell 9.7 percent to 78.4. The median home price dropped 10,000 to 255,000, while the number of homes sold rose 11 percent to 82. The mortgage rate was unchanged at 5.25 percent.

Homes near the Arcata Community Forest may experience an increase in value in the future as the Arcata Police Department reinstated two fulltime park rangers to patrol the park. The Times Standard reports that since the rangers began patrol, visitors have noticed a dramatic decrease in crime, illegal camping and litter.

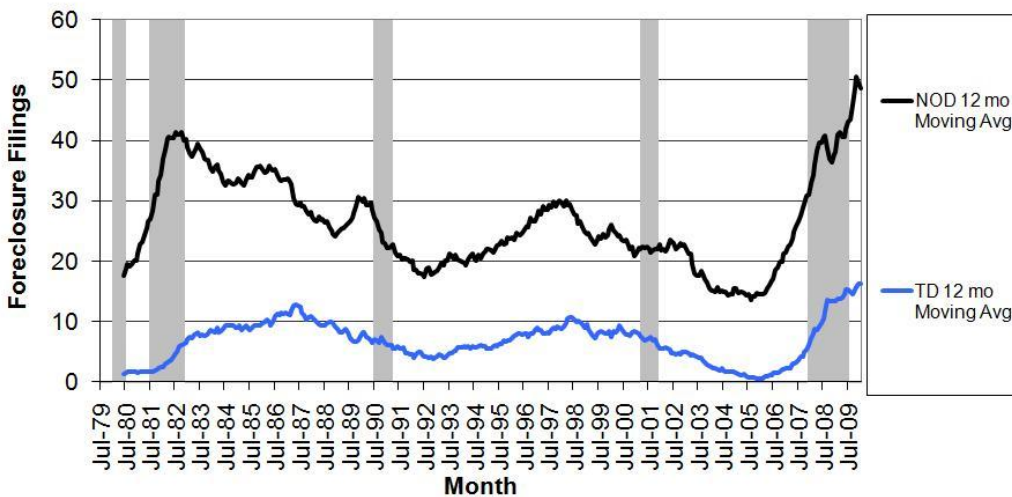
Case-Shiller reported a slight increase, March to April, in national home prices. The prior six months of data show minimal volatility in prices at the national scale. San Diego, Los Angeles, and San Francisco prices together increased less than one percent, March to April, despite the opportunity for buyers to cash in on a combined \$18,000 worth of state and federal tax credits. Congress passed yet another extension on the federal tax credit for buyers who entered escrow by April 30, while California passed its version of the credit late March.

For a local perspective on the possibility of a housing bubble, visit our [Special Projects](#) page for a study of the

Humboldt County housing market. Also, visit the [Humboldt Real Estate Economics Page](#).



## Monthly Foreclosures, Humboldt County National Recessions



Source: Humboldt Economic Index and Humboldt County Recorder

# The Index – Individual Sectors

## Total County Employment

The Index value of the employment sector is based on seasonally adjusted total employment as reported by the Employment Development Department.

Unadjusted employment data rose to the highest level since December 2008, while the seasonally adjusted index rose half a percent to 100.0. Despite the rise in employment, the seasonally adjusted rate rose to 11.3 percent, as May is typically a stronger month.

Local non-profit lender, AEDC, received a grant of 3 million from The Headwaters Fund, a fund established in 2003 as economic mitigation for the government buy-up of the Headwaters Grove. AEDC, Arcata Economic Development Corporation, issues loans on a revolving basis to local and regional small businesses for start-up capital and investment. The grant will put downward pressure on unemployment by providing financing to small businesses and entrepreneurs, who are often overlooked by for-profit lenders.

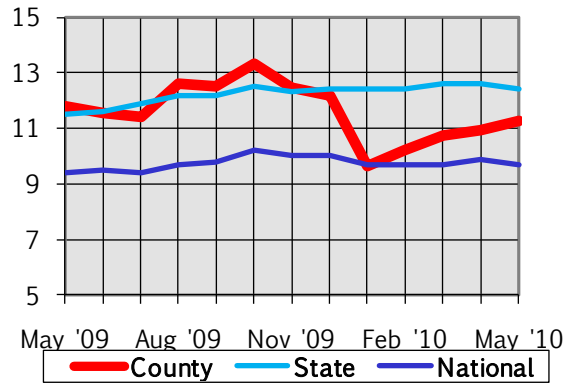
Statewide, the California EDD reports a slight decrease in May's preliminary unemployment rate, falling a tenth of a percent to 12.4. Government employment, followed by Information, experienced the largest percent gain from the previous month.

## Hospitality

The Index value of the hospitality sector is based on seasonally adjusted average occupancy each month at a cross section of local hotels, motels and inns.

Hospitality increased slightly to 90.1 and remains above the recession average of 87.5.

Unemployment Percentage Rates



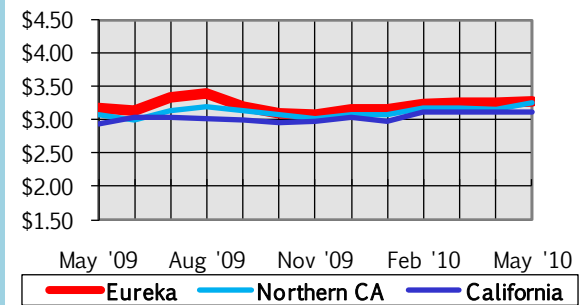
## Gasoline Prices

Local gases prices increased \$0.02 to an inflation adjusted \$2.79 per gallon, up \$0.04 from May 2009. Nominal Eureka prices are \$3.28 compared to \$3.12 statewide. Oil prices currently hover around \$72 per barrel. Oil prices show possibility for decline in the near future as potential reduced demand, indicated by the recent sharp drop in Consumer Confidence and asset prices, out-weighs the current supply reduction caused by the offshore drilling moratorium.

Gas Prices		
Prices as of 7/1/2010	Average price*	Change from previous month
Eureka	\$3.28	\$0.03
Northern California	\$3.25	\$0.10
California	\$3.12	\$0.00

\* Current average price per gallon of self-serve regular unleaded gasoline as reported by the American Automobile Association monthly gas survey ([www.csaa.com](http://www.csaa.com)).

Gasoline Prices



# The Index – Individual Sectors

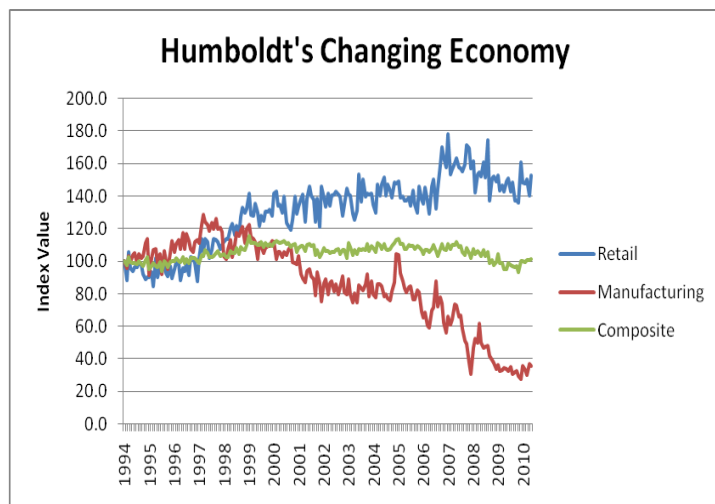
## Retail Sales

The Index value for the retail sales sector is based on the seasonally adjusted dollar value of sales each month from a cross section of local retail businesses.

Retail rose to 153.0, up 8.4 percent from the previous month. All sectors experienced growth from the previous month.

The graph below illustrates the shifting nature of Humboldt's economy as it changes from a more manufacturing based economy, to a more retail and service oriented economy. Although both Retail and Manufacturing were impacted from the recession, Retail remains on a long-run growth trend, while Manufacturing continues long-run contraction.

June [Consumer Confidence](#) declined 15.6 percent from May. The steep decline, likely the result of the Gulf oil spill, ended a three month upward trend for the national index.



## Electricity Consumption

The Index value of this sector is based on seasonally adjusted kilowatt-hours of electricity consumed each month in Humboldt County. Electricity consumption is a somewhat mixed or ambiguous indicator that usually correlates with economic activity. However, increases in energy efficiency and conservation reduce the sector's index value, while not necessarily indicating a decline in economic activity. Because we collect our data for this sector quarterly, values are frequently estimated, and are revised when the quarterly data are received.

Electricity Consumption remains 138.6.

## Lumber Manufacturing

The index value of this sector is based on a combination of payroll employment and board feet of lumber production at major county lumber companies and is adjusted to account for normal seasonal variations. Lumber-based manufacturing generates about 55 percent of total county manufacturing employment.

Lumber Manufacturing declined slightly from the last month to a value of 35.5.

Late last month, local woodworkers and enthusiasts gathered at the annual WoodFair in Arcata. Local industry leaders assembled to discuss means of transitioning the industry from a raw commoditization of lumber to a higher, value-added industry. The hope being that a value-added industry, such as one producing fine furniture, will increase employment and be more environmentally and economically sustainable.

Nationally, the Purchasing Managers Index declined 3.5 points from May, but remains in positive territory at 56.2. According to the ISM, 13 of the 18 industries experienced growth, including Furniture and Related Products, although the more general Wood Products industry contracted.

**Explanatory Note:** We have been tracking economic activity since January 1994. The Composite Index at the beginning of this report is a weighted average of each of the six sectors described above. Each sectoral index, and the composite index, started at a value of 100 in 1994. Thus if the retail sectoral index value is currently 150, that means that (inflation-adjusted) retail sales among the firms that report data to us are 50 percent higher than in January 1994. We also seasonally adjust each sector, and the composite index, to correct for "normal" seasonal variation in the data, such as wet season vs. dry season, and so trends in the seasonally adjusted composite index provide a better indication of underlying growth and fundamental change in the economy. Each month's report reflects the most recent data available, which is usually from the previous month. For example, the "August 2006" report reflects mostly data from July 2006. As is common, our initial report is preliminary, and as we receive final data we revise our reports accordingly.

HUMBOLDT STATE UNIVERSITY

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**Cited References:**

California Association of Realtors - Case-Shiller Home Price Indices  
Consumer Confidence - The Institute of Supply Management  
Times Standard

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